



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

February 10, 2016

Danny Massey
Superintendent
Brazosport Independent School District
P.O. Drawer Z
Freeport, Texas 77542

Dear Superintendent Massey:

On December 28, 2015, the Comptroller issued written notice that the Dow Chemical Company (DOW) (the applicant) submitted a completed application (Application #1112) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on July 16, 2015, to the Brazosport Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

- | | |
|-------------------|--|
| Sec. 313.024(a) | Applicant is subject to tax imposed by Chapter 171. |
| Sec. 313.024(b) | Applicant is proposing to use the property for an eligible project. |
| Sec. 313.024(d) | Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located. |
| Sec. 313.024(d-2) | Not applicable to Application #1112. |

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

Certificate decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.

Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).


The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-826) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of December 28, 2015 or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Korry Castillo, Director, Data Analysis & Transparency, by email at korry.castillo@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-3806, or direct in Austin at 512-463-3806.

Sincerely,



Mike Reissig
Deputy Comptroller

Enclosure

cc: Korry Castillo

Attachment A – Economic Impact Analysis

The following tables summarize the Comptroller's economic impact analysis of the DOW Chemical Company (the project) applying to Brazosport Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of the DOW Chemical Company.

Applicant	the DOW Chemical Company
Tax Code, 313.024 Eligibility Category	Chemical Manufacturing
School District	Brazosport ISD
2011-12 Enrollment in School District	11,480
County	Brazoria
Proposed Total Investment in District	\$1,000,000,000
Proposed Qualified Investment	\$1,000,000,000
Limitation Amount	\$30,000,000
Number of new qualifying jobs committed to by applicant	35
Number of new non-qualifying jobs estimated by applicant	17
Average weekly wage of qualifying jobs committed to by applicant	\$1,153.85
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)	\$1,153.39
Minimum annual wage committed to by applicant for qualified jobs	\$60,000
Minimum weekly wage required for non-qualifying jobs	\$1,070.5
Minimum annual wage required for non-qualifying jobs	\$55,666
Investment per Qualifying Job	\$28,571,428
Estimated M&O levy without any limit (15 years)	\$109,799,018
Estimated M&O levy with Limitation (15 years)	\$34,041,059
Estimated gross M&O tax benefit (15 years)	\$75,757,960

Table 2 is the estimated statewide economic impact of the DOW Chemical Company (modeled).

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2016	0	0	0	\$0	\$0	\$0
2017	150	169	319	\$9,000,000	\$14,330,336	\$23,330,336
2018	1435	1,671	3106	\$86,100,000	\$149,825,074	\$235,925,074
2019	435	760	1195	\$26,100,000	\$81,040,746	\$107,140,746
2020	35	298	333	\$2,100,000	\$41,676,349	\$43,776,349
2021	35	206	241	\$2,100,000	\$33,703,999	\$35,803,999
2022	35	151	186	\$2,100,000	\$28,345,651	\$30,445,651
2023	35	124	159	\$2,100,000	\$25,135,401	\$27,235,401
2024	35	115	150	\$2,100,000	\$23,620,837	\$25,720,837
2025	35	116	151	\$2,100,000	\$23,487,970	\$25,587,970
2026	35	123	158	\$2,100,000	\$24,234,752	\$26,334,752
2027	35	132	167	\$2,100,000	\$25,506,469	\$27,606,469
2028	35	125	160	\$2,100,000	\$25,391,281	\$27,491,281
2029	35	130	165	\$2,100,000	\$26,517,576	\$28,617,576
2030	35	137	172	\$2,100,000	\$27,977,789	\$30,077,789
2031	35	144	179	\$2,100,000	\$29,516,169	\$31,616,169
2032	35	151	186	\$2,100,000	\$31,117,958	\$33,217,958

Source: CPA, REMI, DOW

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives											
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O		Brazosport ISD I&S Levy	Brazosport ISD M&O Levy	Brazosport ISD M&O and I&S Tax Levies	Brazoria County	Brazosport Junior College District	Velasco Drainage District	Brazos River Harbor Navigation Dist (aka Port Freeport)	Estimated Total Property Taxes
			Tax Rate ¹	0.2153	1.0400		0.4985	0.280878	0.098018	0.045	
2016	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2017	\$276,920	\$276,920		\$596	\$2,880	\$3,476	\$1,380	\$778	\$271	\$125	\$6,030
2018	\$300,276,920	\$300,276,920		\$646,496	\$3,122,880	\$3,769,376	\$1,496,880	\$843,412	\$294,325	\$135,125	\$6,539,118
2019	\$955,276,920	\$955,276,920		\$2,056,711	\$9,934,880	\$11,991,591	\$4,762,055	\$2,683,163	\$936,343	\$429,875	\$20,803,027
2020	\$915,276,920	\$915,276,920		\$1,970,591	\$9,518,880	\$11,489,471	\$4,562,655	\$2,570,812	\$897,136	\$411,875	\$19,931,949
2021	\$876,876,920	\$876,876,920		\$1,887,916	\$9,119,520	\$11,007,436	\$4,371,231	\$2,462,954	\$859,497	\$394,595	\$19,095,714
2022	\$840,012,920	\$840,012,920		\$1,808,548	\$8,736,134	\$10,544,682	\$4,187,464	\$2,359,411	\$823,364	\$378,006	\$18,292,928
2023	\$804,623,480	\$804,623,480		\$1,732,354	\$8,368,084	\$10,100,439	\$4,011,048	\$2,260,010	\$788,676	\$362,081	\$17,522,253
2024	\$770,649,618	\$770,649,618		\$1,659,209	\$8,014,756	\$9,673,965	\$3,841,688	\$2,164,585	\$755,375	\$346,792	\$16,782,406
2025	\$738,034,710	\$738,034,710		\$1,588,989	\$7,675,561	\$9,264,550	\$3,679,103	\$2,072,977	\$723,407	\$332,116	\$16,072,152
2026	\$706,724,398	\$706,724,398		\$1,521,578	\$7,349,934	\$8,871,511	\$3,523,021	\$1,985,033	\$692,717	\$318,026	\$15,390,309
2027	\$676,666,499	\$676,666,499		\$1,456,863	\$7,037,332	\$8,494,195	\$3,373,182	\$1,900,607	\$663,255	\$304,500	\$14,735,739
2028	\$647,810,916	\$647,810,916		\$1,394,737	\$6,737,234	\$8,131,970	\$3,229,337	\$1,819,558	\$634,971	\$291,515	\$14,107,352
2029	\$620,109,556	\$620,109,556		\$1,335,096	\$6,449,139	\$7,784,235	\$3,091,246	\$1,741,751	\$607,819	\$279,049	\$13,504,101
2030	\$593,516,251	\$593,516,251		\$1,277,840	\$6,172,569	\$7,450,409	\$2,958,679	\$1,667,057	\$581,753	\$267,082	\$12,924,980
2031	\$567,986,677	\$567,986,677		\$1,222,875	\$5,907,061	\$7,129,937	\$2,831,414	\$1,595,350	\$556,729	\$255,594	\$12,369,023
2032	\$543,478,287	\$543,478,287		\$1,170,109	\$5,652,174	\$6,822,283	\$2,709,239	\$1,526,511	\$532,707	\$244,565	\$11,835,305
			Total	\$22,730,508	\$109,799,018	\$132,529,527	\$52,629,626	\$29,653,970	\$10,348,346	\$4,750,919	\$229,912,387

Source: CPA, DOW

¹Tax Rate per \$100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district, Brazoria County, Brazosport College ESD, Velasco Drainage District and Port Freeport, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county, college district, drainage district and local port authority.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	0	Brazosport ISD I&S Levy	Brazosport ISD M&O Levy	Brazosport ISD M&O and I&S Tax Levies	Brazoria County	Brazosport Junior College District	Velasco Drainage District	Brazos River Harbor Navigation Dist (aka Port Freeport)	Estimated Total Property Taxes
			Tax Rate ¹	0.2153	1.0400		0.4985	0.280878	0.098018	0.045	
2016	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2017	\$276,920	\$276,920		\$596	\$2,880	\$3,476	\$1,380	\$778	\$271	\$125	\$6,030
2018	\$300,276,920	\$30,000,000		\$646,496	\$312,000	\$958,496	\$1,122,660	\$655,989	\$222,974	\$99,091	\$3,059,210
2019	\$955,276,920	\$30,000,000		\$2,056,711	\$312,000	\$2,368,711	\$3,571,542	\$2,086,910	\$709,351	\$315,240	\$9,051,754
2020	\$915,276,920	\$30,000,000		\$1,970,591	\$312,000	\$2,282,591	\$3,421,992	\$1,999,526	\$679,649	\$302,040	\$8,685,797
2021	\$876,876,920	\$30,000,000		\$1,887,916	\$312,000	\$2,199,916	\$3,278,424	\$1,915,637	\$651,134	\$289,368	\$8,334,479
2022	\$840,012,920	\$30,000,000		\$1,808,548	\$312,000	\$2,120,548	\$3,140,598	\$1,835,103	\$623,761	\$277,203	\$7,997,213
2023	\$804,623,480	\$30,000,000		\$1,732,354	\$312,000	\$2,044,354	\$3,008,286	\$1,757,791	\$597,482	\$265,525	\$7,673,438
2024	\$770,649,618	\$30,000,000		\$1,659,209	\$312,000	\$1,971,209	\$2,881,266	\$1,683,571	\$572,254	\$254,313	\$7,362,613
2025	\$738,034,710	\$30,000,000		\$1,588,989	\$312,000	\$1,900,989	\$2,759,327	\$1,612,320	\$548,036	\$243,550	\$7,064,222
2026	\$706,724,398	\$30,000,000		\$1,521,578	\$312,000	\$1,833,578	\$2,642,266	\$1,543,919	\$524,786	\$233,218	\$6,777,767
2027	\$676,666,499	\$30,000,000		\$1,456,863	\$312,000	\$1,768,863	\$2,529,887	\$1,478,254	\$502,466	\$223,299	\$6,502,769
2028	\$647,810,916	\$647,810,916		\$1,394,737	\$6,737,234	\$8,131,970	\$3,229,337	\$1,819,558	\$634,971	\$291,515	\$14,107,352
2029	\$620,109,556	\$620,109,556		\$1,335,096	\$6,449,139	\$7,784,235	\$3,091,246	\$1,741,751	\$607,819	\$279,049	\$13,504,101
2030	\$593,516,251	\$593,516,251		\$1,277,840	\$6,172,569	\$7,450,409	\$2,958,679	\$1,667,057	\$581,753	\$267,082	\$12,924,980
2031	\$567,986,677	\$567,986,677		\$1,222,875	\$5,907,061	\$7,129,937	\$2,831,414	\$1,595,350	\$556,729	\$255,594	\$12,369,023
2032	\$543,478,287	\$543,478,287		\$1,170,109	\$5,652,174	\$6,822,283	\$2,709,239	\$1,526,511	\$532,707	\$244,565	\$11,835,305
			Total	\$22,730,508	\$ 34,041,059	\$ 56,771,566	\$ 43,177,543	\$ 24,920,025	\$ 8,546,143	\$ 3,840,777	\$ 137,256,054
			Difference	\$ -	\$ 75,757,960	\$ 75,757,961	\$ 9,452,083	\$ 4,733,945	\$ 1,802,203	\$ 910,142	\$ 92,656,333

Assumes School Value Limitation and Tax Abatement with the County.

Source: CPA, DOW

¹Tax Rate per \$100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue over 25 Years

This represents the Comptroller's determination that the DOW Chemical Company (DOW) (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2015	\$0	\$0	\$0	\$0
	2016	\$0	\$0	\$0	\$0
	2017	\$2,880	\$2,880	\$0	\$0
Limitation Period (10 Years)	2018	\$312,000	\$314,880	\$2,810,880	\$2,810,880
	2019	\$312,000	\$626,880	\$9,622,880	\$12,433,760
	2020	\$312,000	\$938,880	\$9,206,880	\$21,640,640
	2021	\$312,000	\$1,250,880	\$8,807,520	\$30,448,160
	2022	\$312,000	\$1,562,880	\$8,424,134	\$38,872,294
	2023	\$312,000	\$1,874,880	\$8,056,084	\$46,928,378
	2024	\$312,000	\$2,186,880	\$7,702,756	\$54,631,134
	2025	\$312,000	\$2,498,880	\$7,363,561	\$61,994,695
	2026	\$312,000	\$2,810,880	\$7,037,934	\$69,032,629
	2027	\$312,000	\$3,122,880	\$6,725,332	\$75,757,961
Maintain Viable Presence (5 Years)	2028	\$6,737,234	\$9,860,113	\$0	\$75,757,961
	2029	\$6,449,139	\$16,309,253	\$0	\$75,757,961
	2030	\$6,172,569	\$22,481,822	\$0	\$75,757,961
	2031	\$5,907,061	\$28,388,883	\$0	\$75,757,961
	2032	\$5,652,174	\$34,041,058	\$0	\$75,757,961
Additional Years as Required by 313.026(c)(1) (10 Years)	2033	\$5,407,482	\$39,448,540	\$0	\$75,757,961
	2034	\$5,172,578	\$44,621,118	\$0	\$75,757,961
	2035	\$4,947,070	\$49,568,189	\$0	\$75,757,961
	2036	\$4,730,583	\$54,298,771	\$0	\$75,757,961
	2037	\$4,522,755	\$58,821,526	\$0	\$75,757,961
	2038	\$4,323,240	\$63,144,766	\$0	\$75,757,961
	2039	\$4,131,705	\$67,276,471	\$0	\$75,757,961
	2040	\$3,947,832	\$71,224,303	\$0	\$75,757,961
	2041	\$3,771,314	\$74,995,617	\$0	\$75,757,961
	2042	\$3,601,857	\$78,597,474	\$0	\$75,757,961
		\$78,597,474	is greater than	\$75,757,961	
Analysis Summary					
Is the project reasonably likely to generate M&O tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?					Yes

NOTE: The analysis above only takes into account this project's estimated impact on the M&O portion of the school district property tax levy directly related to this project.

Source: CPA, DOW

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that “the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state.” This represents the basis for the Comptroller’s determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller **determines** that the limitation on appraised value is a determining factor in the DOW Chemical Company decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per the applicant and media reports, a site in Alberta, Canada is also under consideration.
- According to the applicant, a tax limitation through a Chapter 313 agreement is key in its decision to locate this facility in Texas.
 - “Without approval of the 313 agreement a wide gap exists in the company's property tax liability between the two locations which negatively impacts the competitiveness of Texas.”
 - “Projected property tax liability to the company, based on the same \$1 Billion capital investment in Texas compared to Alberta Canada, is approximately three times higher (in Texas) after considering estimated tax savings from negotiated agreements with local authorities in the two locations.”
 - “The lower tax rates in Alberta emphasizes the need for property tax relief. Approval of the 313 agreement is key in closing the property tax gap...”
- According to the applicant, Brazoria County Commissioners Court and numerous media reports, the applicant entered into a tax abatement agreement in July 2015.
- Research indicates the company has existing operations in the vicinity of the proposed facility. However, materials provided by the company plus Agency research (including GoogleMaps street level photos) indicate there is currently no personal property on the proposed site.

Supporting Information

- a) Section 8 of the Application for a Limitation on Appraised Value
- b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
- c) Additional information provided by the Applicant or located by the Comptroller

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Ch. 313 of the Tax Code and is not intended for any other purpose.

Supporting Information

**Section 8 of the Application for
a Limitation on Appraised Value**



Application for Appraised Value Limitation on Qualified Property

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171? ☒ Yes ☐ No
2. The property will be used for one of the following activities:
 - (1) manufacturing ☒ Yes ☐ No
 - (2) research and development ☐ Yes ☒ No
 - (3) a clean coal project, as defined by Section 5.001, Water Code ☐ Yes ☒ No
 - (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code ☐ Yes ☒ No
 - (5) renewable energy electric generation ☐ Yes ☒ No
 - (6) electric power generation using integrated gasification combined cycle technology ☐ Yes ☒ No
 - (7) nuclear electric power generation ☐ Yes ☒ No
 - (8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7) ☐ Yes ☒ No
 - (9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051 ☐ Yes ☒ No
3. Are you requesting that any of the land be classified as qualified investment? ☐ Yes ☒ No
4. Will any of the proposed qualified investment be leased under a capitalized lease? ☐ Yes ☒ No
5. Will any of the proposed qualified investment be leased under an operating lease? ☐ Yes ☒ No
6. Are you including property that is owned by a person other than the applicant? ☐ Yes ☒ No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment? ☐ Yes ☒ No

SECTION 7: Project Description

1. In Tab 4, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.
2. Check the project characteristics that apply to the proposed project:
☒ Land has no existing improvements ☐ Land has existing improvements (complete Section 13)
☐ Expansion of existing operation on the land (complete Section 13) ☐ Relocation within Texas

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur? ☒ Yes ☐ No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project? ☐ Yes ☒ No
3. Does the applicant have current business activities at the location where the proposed project will occur? ☐ Yes ☒ No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location? ☒ Yes ☐ No
5. Has the applicant received any local or state permits for activities on the proposed project site? ☐ Yes ☒ No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site? ☒ Yes ☐ No
7. Is the applicant evaluating other locations not in Texas for the proposed project? ☒ Yes ☐ No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities? ☐ Yes ☒ No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project? ☐ Yes ☒ No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas? ☒ Yes ☐ No

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

For more information, visit our website www.TexasAhead.org/tax_programs/chapter313/

Supporting Information

**Attachments provided in Tab 5
of the Application for a
Limitation on Appraised Value**

The Dow Chemical Company

School Limitation on Appraised Value (Tab 5)

September 21, 2015

The Dow Chemical Company (Dow) has analyzed the property tax liability of constructing an ethylene glycol manufacturing plant in Texas and Alberta, Canada as an alternate location. Dow is partnering with McGlobal Americas Inc., a joint venture between Dow and Petrochemical Industries Company (PIC) of Kuwait, to advocate for the best siting decision for a global scale ethylene glycol plant. Dow has seen tremendous growth and investment in its operations on the U.S. Gulf Coast recently and is well situated to leverage this growth to attract additional investment. To fully attract this investment, the public partnership with the State and Local Governments in Texas is critical.

Property taxes in the State of Texas are levied on Real and Personal property as well as inventory while the Province of Alberta levies taxes on Real and Personal Property. Projected property tax liability to the company, based on the same \$1 Billion capital investment in Texas compared to Alberta Canada, is approximately three times higher (in Texas) after considering estimated tax savings from negotiated agreements with local authorities in the two locations.

The investment in and siting of such a large project is complex and while no one factor alone can determine site location there are many taken as a group that can. Texas has some advantages over Alberta, Canada such as a deep water port; however one area where Texas is not competitive is in property tax liability. Alberta, Canada is favorable here because property tax rates are substantially less. The lower tax rates in Alberta emphasizes the need for property tax relief. Approval of the 313 agreement is key in closing the property tax gap and thereby will create a more competitive investment environment. Without approval of the 313 agreement a wide gap exists in the company's property tax liability between the two locations which negatively impacts the competitiveness of Texas.

Also important is that property tax liabilities in Alberta are more stable and predictable for the company because business inventories are not taxable. When Texas taxes business inventories, it creates an uncertain and often high tax liability for the company because inventories can vary significantly over time. This uncertainty does not exist in Alberta, Canada.

Approval of the 313 agreement is essential to allow the property tax liabilities in Texas to be as favorable, certain and competitive as possible for this project. Approval will allow the company to be competitive today, so it can make the necessary capital investment decision to make this manufacturing project successful.

Supporting Information

**Additional information
provided by the Applicant or
located by the Comptroller**

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Dow set to build new plant south of Houston

By Jordan Blum | October 22, 2015 | Updated: October 22, 2015 9:46pm

0

A Dow Chemical Co. partnership is set to build a new petrochemical plant south of Houston.

The proposed plant would take advantage of cheap shale natural gas to manufacture monoethylene glycol, a building block of many plastics.

The plan is to build the plant near Dow's growing Freeport complex with a startup in early 2019.

The project will be carried out by MEGlobal partnership, one of two partnerships Dow Chemical owns with Kuwait.

Dow, which employs some 12,000 people in the Houston area, made the announcement during its third-quarter earnings report Thursday, during which it said it made net income of \$1.29 billion, or \$1.09 per diluted common share, for the third quarter, up from \$852 million, or 71 cents per share, during the same time last year.

The company is in the process of a \$4 billion expansion south of Houston in Freeport to add more ethylene, polyethylene, propylene and plastics manufacturing.

The project is slated to be done by the end of 2017, although some parts of it are already done.

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BRAZORIA COUNTY COMMISSIONERS' COURT**

**ORDER NO. VIII.B.1.c. RE: THE DOW CHEMICAL COMPANY TAX ABATEMENT
APPLICATION: ORDER CREATING REINVESTMENT
ZONE AND GRANTING TAX ABATEMENT**

Designation of Reinvestment Zone:

Whereas, a public hearing was held on the Designation of The Dow Chemical Company Reinvestment Zone No. 20 and the public was given an opportunity to speak and present evidence for or against such designation; and

Whereas, notice of the hearing was given in the manner as provided by law;

Therefore, based upon the information presented to the Court and the public hearing, the Court finds that the designation of this zone would contribute to the retention or expansion of primary employment or would attract major investment in the zone that would be a benefit to the property included in the zone and would contribute to the economic development of the County.

Further that the subject location described in the attached application be designated The Dow Chemical Company Reinvestment Zone No. 20 for tax abatement purposes in accordance with the guidelines and criteria of Brazoria County and applicable law; and

Granting of Tax Abatement

It is Ordered that the application for tax abatement of THE DOW CHEMICAL COMPANY attached hereto be granted in accordance with the Guidelines and Criteria for Granting Tax Abatement in The Dow Chemical Company Reinvestment Zone No. 20 created in Brazoria County for a term of ten (10) years, and at 100% abatement of eligible real and personal properties; Said Company will be investing \$1 billion dollars and creating 35 new jobs in Brazoria County.

Further that the County Judge is authorized to execute a tax abatement agreement with THE DOW CHEMICAL COMPANY in accordance with the same guidelines and criteria.

Motion to Approve by Commissioner Payne, seconded by Commissioner Linder that the above action be taken by the Court.

Motion to Amend by Commissioners Adams, Motion failed for lack of second.

Passed: 4-1

Aye: Commissioner Payne, Commissioner Linder, Commissioner Cade, Judge Sebesta
Nay: Commissioner Adams

STATE OF TEXAS §
COUNTY OF BRAZORIA §

I, Joyce Hudman, Clerk County Court and Ex-Officio Clerk of the Commissioners' Court of Brazoria County, Texas, do hereby certify that the foregoing is a true and correct copy of that certain:

**ORDER NO. VIII.B.1.c. RE: THE DOW CHEMICAL COMPANY TAX ABATEMENT
APPLICATION: ORDER CREATING REINVESTMENT
ZONE AND GRANTING TAX ABATEMENT**

as passed by the Commissioners' Court on the 28th day of JULY, A.D., 2015, SPECIAL Term of Commissioners' Court and as the same appear(s) in the Commissioners' Court Records of Brazoria County, Texas.

**GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 3rd
DAY OF AUGUST, A. D., 2015.**

JOYCE HUDMAN, Clerk County Court
and Ex-Officio Member of the Commissioners'
Court of Brazoria County, Texas

By:


K. PERRY, Deputy



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Chemical Week

Business Daily

Dow seeks tax abatement for proposed MEGlobal EG plant

11:59 AM MDT | October 16, 2015

Dow has asked local authorities to provide a 10-year tax abatement for a \$1 billion ethylene glycol (EG) plant that the company would build at its Freeport, TX, facility for MEGlobal, its EG joint venture with Petrochemical Industries Company of Kuwait. Prentiss, AB, is also being considered for the project, Dow says. Dow's application was approved by the Brazoria County Commissioner in July, and on 13 October, the Brazosport, TX, schoolboard also gave its support. The application must ultimately be approved by the Texas Comptroller. MEGlobal announced...

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Dow gets tax deal for Texas MEG plant

16 October 2015 20:21 Source: **ICIS News**

NEW YORK (ICIS)--Dow Chemical was granted approval on a tax abatement application that it filed on behalf of MEGlobal, its joint venture with Petrochemical Industries Co (PIC), for a proposed new monoethylene glycol (MEG) plant in Freeport, Texas, one of two possible locations for the project, ICIS learned on Friday.



The Brazoria County Commissioners Court issued the order for the tax abatement, which is effective for a period of 10 years, according to government documents.

The Brazosport Independent School District (BISD) board of trustees held a special public meeting on 13 October and approved the application.

If developed, the project would represent a \$1bn investment, the county-court documents said.

Construction is estimated to run from April 2017 through December 2018, according to Daniel Schaefer, chief finance and government affairs officer for BISD.

The Freeport area is one of two locations being evaluated for a potential new MEG plant, a Dow spokesperson said. Dow is assisting MEGlobal in studying potential locations to build a new plant.

"The two locations being evaluated are Freeport, Texas, or Prentiss, Alberta, Canada," the Dow spokesperson said.

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Earlier in December 2014 MEGlobal announced the launch of a study to construct a world-scale MEG manufacturing plant. The company said that the plant will be built either on the US Gulf Coast or in Canada, and is expected to come on stream in 2018.

Neither Dow nor MEGlobal could comment on what the MEG produced at the new plant will go towards or whether it would serve domestic markets, overseas markets or both. They also did not comment on the proposed plant's capacity or the source of feedstock to be used there.

Dow has a 285,000 tonne/year MEG plant in Seadrift, Texas, and MEGlobal has two MEG plants in Canada, a 380,000 tonne/year plant in Fort Saskatchewan, Alberta, Canada, and a 310,000 tonne/year plant in Prentiss, Alberta, Canada, according to ICIS plants and projects.

Image: Dow Chemical is evaluating two locations: Freeport, Texas, and Prentiss, Alberta, Canada. (ddp USA/REX Shutterstock)

By **Feliza Mirasol**



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Index (IPEX)

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IPEX provides a capacity-weighted measure of the average change in petrochemical prices over time.

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Date: September 8, 2015

Members Present: George L. Kidwell, Louie Jones, and Robert Hamlet

Staff Present: Chris Gallion, Jana Mehl, Larry Boyd and Herb Smith

Others Present: David Winder – Dow, Nancy Stevens – Port Freeport, Bobby Deden, Woodshore Section 2, Danny Young – Wood Group Mustang

I. Call to Order.

II. General Business/Consent Agenda:

A. Mr. Jones moved and Mr. Hamlet seconded approval of minutes of the Regular Board Meeting of August 18, 2015.

B. Mr. Hamlet moved and Mr. Jones seconded approval of payment vouchers for:

- O& M checks #24849 through #24905 in the amount of \$117,930.52.
- Capital Improvement Fund checks #1321 through #1323 in the amount of \$248,546.31.

C. Mr. Hamlet moved and Mr. Jones seconded approval of payroll checks for:

- Payroll dated 08/24/2015 checks #29197 through #29225 in the amount of \$21,696.45.
- Payroll dated 08/31/2015 checks #29226 through #29254 in the amount of \$18,868.60.
- Payroll dated 09/08/2015 checks #29255 through #29283 in the amount of \$19,125.33.

D. Mr. Kidwell moved and Mr. Hamlet seconded approval of payment voucher for:

- O&M check #24906 in the amount of \$391.56. (Mr. Jones abstained)

III. Public Comments: -None at this time.

IV. Following action taken as to specific items on agenda:

1. Review and consider replat of Lot 14, Block 2 of the Surfside Townsite, Subdivision "D" Section 4, Village of Surfside, Brazoria County, Texas. - Mr. Gallion presented the replat and explained to the Board that the owner was the moving the property line to accommodate the request of the city. Mr. Kidwell motioned to approve the replat of Lot 14, Block 2 of the Surfside Townsite, Subdivision "D" Section 4, Village of Surfside. Mr. Jones seconded. Motion passed.
2. Review and consider replat of Brazos Creekwood Apartments, a subdivision of 9.4705 Acres, being a replat of lot 1, Tract 2, Richwood Centre replat of Lot 1 Tract 2, Tract 4, and Tract 5 of the Jared E. Groce Survey, Richwood, Texas. - Mr. Gallion presented the replat to the Board and explained that the Board has already seen this project and has

approved the drainage plans. Mr. Kidwell motioned to approve the replat of Brazos Creekwood Apartments, a subdivision of 9.4705 Acres, being a replat of Lot 1, Tract 2, Richwood Centre replat of Lot 1, Tract 2, Tract 4 and Tract 5 of the Jared E. Groce Survey, Richwood. Mr. Jones seconded. Motion passed.

3. **Review and consider replat of Lots 3, 3A, 4 and 4A of Surfside Townsite, Village of Surfside, Texas.** – Mr. Gallion explained to the Board that this was to combined 4 lots into 2 lots. The owner plans to build a house. Mr. Hamlet motion to approve the replat of Lots 3, 3A, 4 and 4A of Surfside Townsite, Village of Surfside. Mr. Jones seconded. Motion passed.
4. **Review and consider the drainage plans for proposed gymnasium addition of Lanier Middle School, Freeport, Texas.** - Mr. Smith presented the plans to the Board and explained that there would be no more impervious coverage than already exists. The 25,000 square feet building will be demolished and an 8,000 square feet building will be added. Mr. Smith said that this addition meets the Drainage District Criteria and recommended that the Board approve the addition. Mr. Kidwell motion to approve the drainage plans for the proposed gymnasium addition of Lanier Middle School. Mr. Jones seconded. Motion passed. Mr. Gallion will write a Letter of No Objection to the City of Freeport.
5. **Review and consider drainage plans for Woodshore Section 2, Clute, Texas.** – Mr. Smith presented the plans for Woodshore Section 2 to the Board. Mr. Deden was also there to answer any questions the Board had. He explained that the storm water from Section 2 would be conveyed to an existing outfall storm sewer system to Lake Bend, and an overflow swale was constructed at the east end to convey storm water from Section 2 to Lake Bend. Mr. Nguyen, with Baker & Lawson has reviewed the drainage plans and found that they me the Brazoria County Drainage Criteria. Mr. Kidwell motioned to approve the drainage plans for Woodshore Section 2. Mr. Jones seconded. Motion passed. Mr. Gallion will write a Letter of No Objection to the City of Clute.
6. **Review and consider permit (2015.08.05) to Praxair for 24" Nitrogen and 14" Hydrogen Pipelines in Bastrop Bayou, Moller Ditch, Oyster Creek, Northwest Quad, and Clute Lake Jackson Drainage Channel.** - The plan was presented to the Board. The Oyster Creek Crossing was already approved in October 21, 2014's board meeting, permit 67-2014.10.02, but an extension will be granted for 1 year. Mr. Kidwell motioned to approve the permit (2015.08.05) to Praxair for 24" Nitrogen and 14" Hydrogen Pipelines in Bastrop Bayou, Moller Ditch, Northwest Quad, and Clute Lake Jackson Drainage Channel, and an extension for 1 year on the Permit (67-2014.10.02) for the Oyster Creek Crossing. Mr. Hamlet seconded. Motion passed.
7. **Review and consider permit (90.2015.08.06) to Dow Chemical Company for Temporary Dredge Line across the Levee in Dow's A-4100 Block, Brazoria County, Texas.** - Mr. Smith presented the plans for the permit to the Board. Dow will lay a temporary dredge line on the North Side of the Barge Canal Levee Road. The line will be removed when the project is completed. No work will penetrate the levee. Mr. Smith recommended that the Board approve the permit. Mr. Kidwell motioned to approve the permit (90.2015.08.06) to Dow Chemical Company for Temporary Dredge Line across the Levee in Dow's A-4100 Block,

but wants a letter sent to the COE saying that this conforms to the standards. Mr. Jones seconded. Motion passed. Mr. Smith will draft a letter to the COE.

8. **Review and consider permit (91.2015.09.01) to BASF for proposed drilling program located in Dow's Turning Basin and BASF's Freeport Barge Dock.** - No action taken.
9. **Review and consider Port Freeport's Application to Expand the Boundaries of Its' foreign Trade Zone Magnet Site 1.**- Nancy Stephens with Port Freeport explained the need for a letter from Velasco Drainage District in order to Expand the Port's Boundaries of Foreign Trade to include lands bought by the Port in 1999. To do this the Port must have a Letter of No Objection from each of the taxing entities. Mr. Kidwell motioned to write a Letter of No Objection for the Port to expand their Foreign Trade Zone. Mr. Jones seconded. Motion passed. Mr. Kidwell will draft a letter.
10. **Consider Resolution on Tax Abatement in Dow Reinvestment Zone #20.** - David Winder explained the project for the Tax Abatement to the Board. Mr. Winder stated that Meglobal would be building an Ethylene Glycol Plant. He stated that Dow requested a 10 year Abatement that would not start until January 1, 2018. Mr. Kidwell motioned to approve Resolution 2015.09.01 allowing a Tax Abatement in Dow Reinvestment Zone #20. Mr. Jones seconded. Motioned passed.

V. Reports:

A. Superintendent- Mr. Gallion Reported:

- AT&T has awarded a contract to do the repairs on FM 523 and Oyster Creek Levee.
- South Levee Gravity Structure is being delayed by rain. The installation should be finished this week. Then the gate will be sandblasted and painted.
- Hired a new employee, Michael Lake. Joe Cardoza will be moved from the Pump Station Crew to the Construction Crew to fill Mark Wisecups' place and Michael will be place on the Pump Station Crew.
- Steve Matula had question about some work that BASF was doing around the Clute Lake Jackson Pump Station. Told him that the District will look into this. BASF does in fact have a permit for drilling core bores for the Heavy Haul Road in that area.
- Matula Construction found a leak in the 2" line coming from our East Freeport Pump Station near the back gate. Told him to go ahead and make the repair.

B. Engineering- Mr. Smith Reported: None at this time.

C. Legal --Mr. Boyd Reported: -

- The Plat "Preserve at Oyster Creek" has already been approved by the Board at the August 4th, 2015's Board Meeting, but it needs to be initialed because the official owners of the property were listed incorrectly on the replat and the Board needs to initial the corrected changes.
- Waters of the US has a temporary injunction in 13 States. Texas is not one of States.

D. Board - Mr. Kidwell Reported:

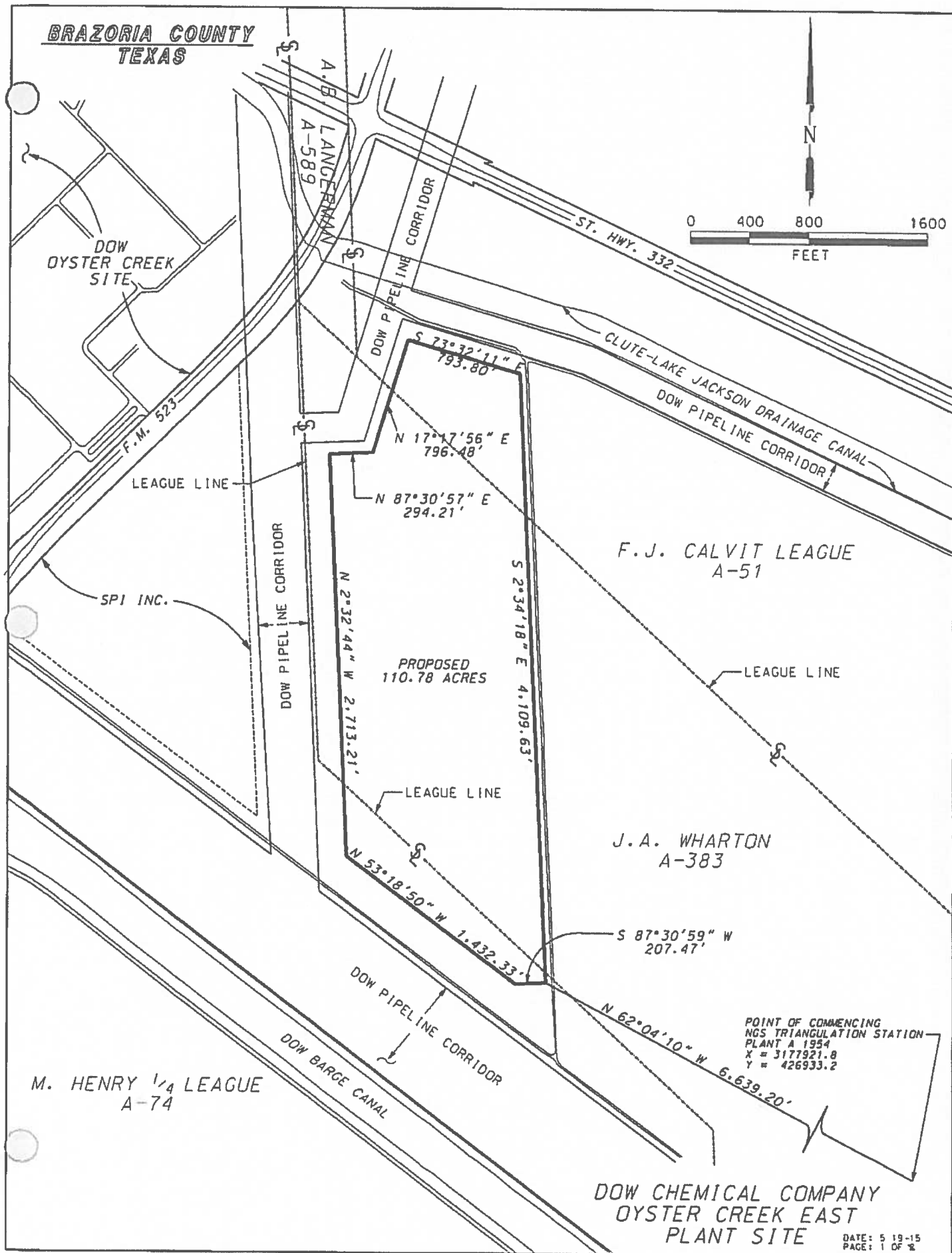
- Attended the 92nd National Coastal Engineering Research Board in Galveston. Met many interesting people. Very informative meeting. Learned that there are 30 coastal gauging stations along the Texas Coast. Tried to log into one in our area, but it was not working (found out that it has been out of service since May 7th). Also, discussed COULWAVE with a man from ERDC it was very informative. Talked with Major General Jackson about the fact that when the COE's researchers failed to get local sponsor's input on their projects, the COE is less successful. He agreed.
- Meeting in Little Rock next week for the National Water Ways Conference.

VI. Announcements: None at this time.

VII. Adjourn: 3:38 p.m.

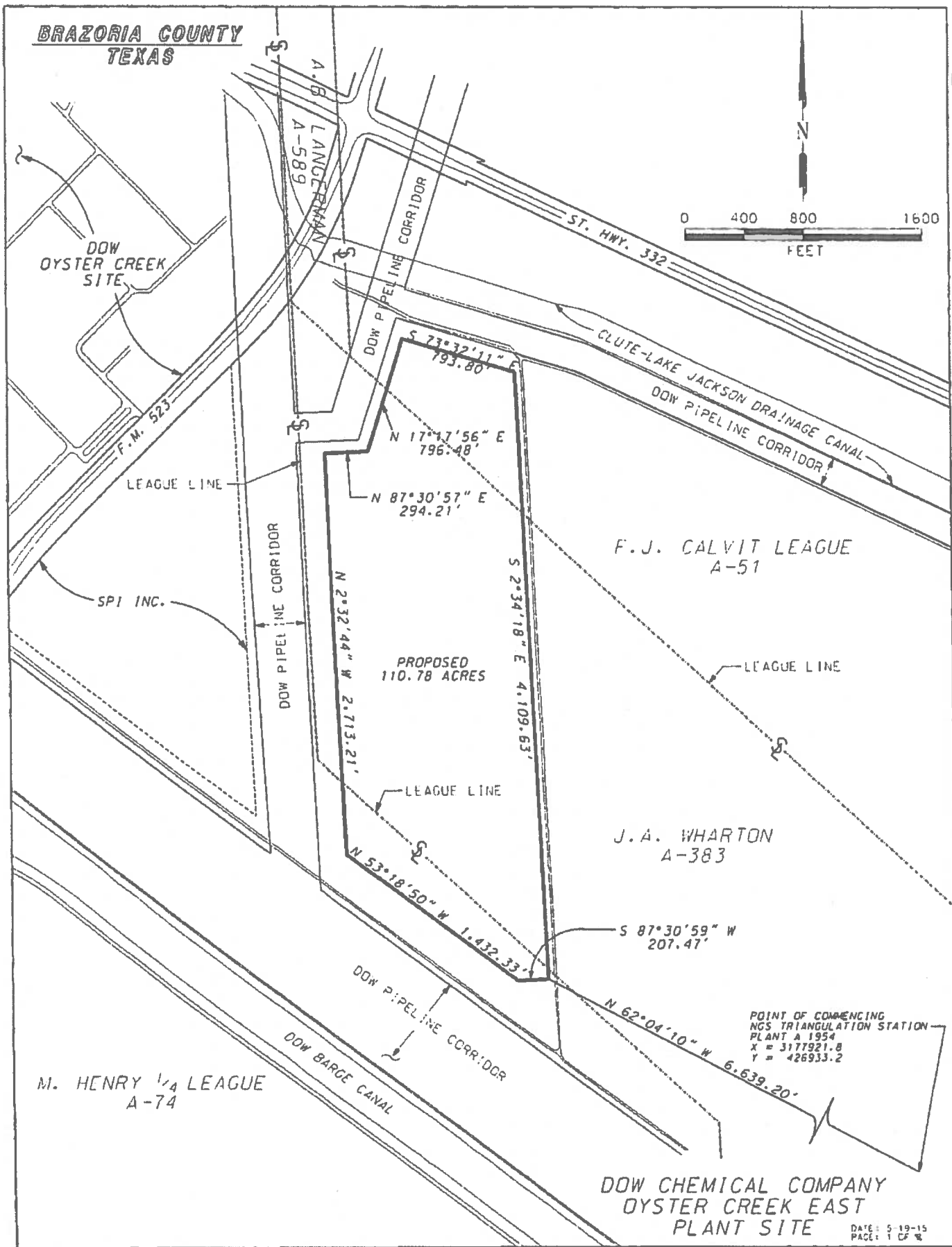


**BRAZORIA COUNTY
TEXAS**



**DOW CHEMICAL COMPANY
OYSTER CREEK EAST
PLANT SITE**

**BRAZORIA COUNTY
TEXAS**





FM523

looking south towards property - beyond pipeline

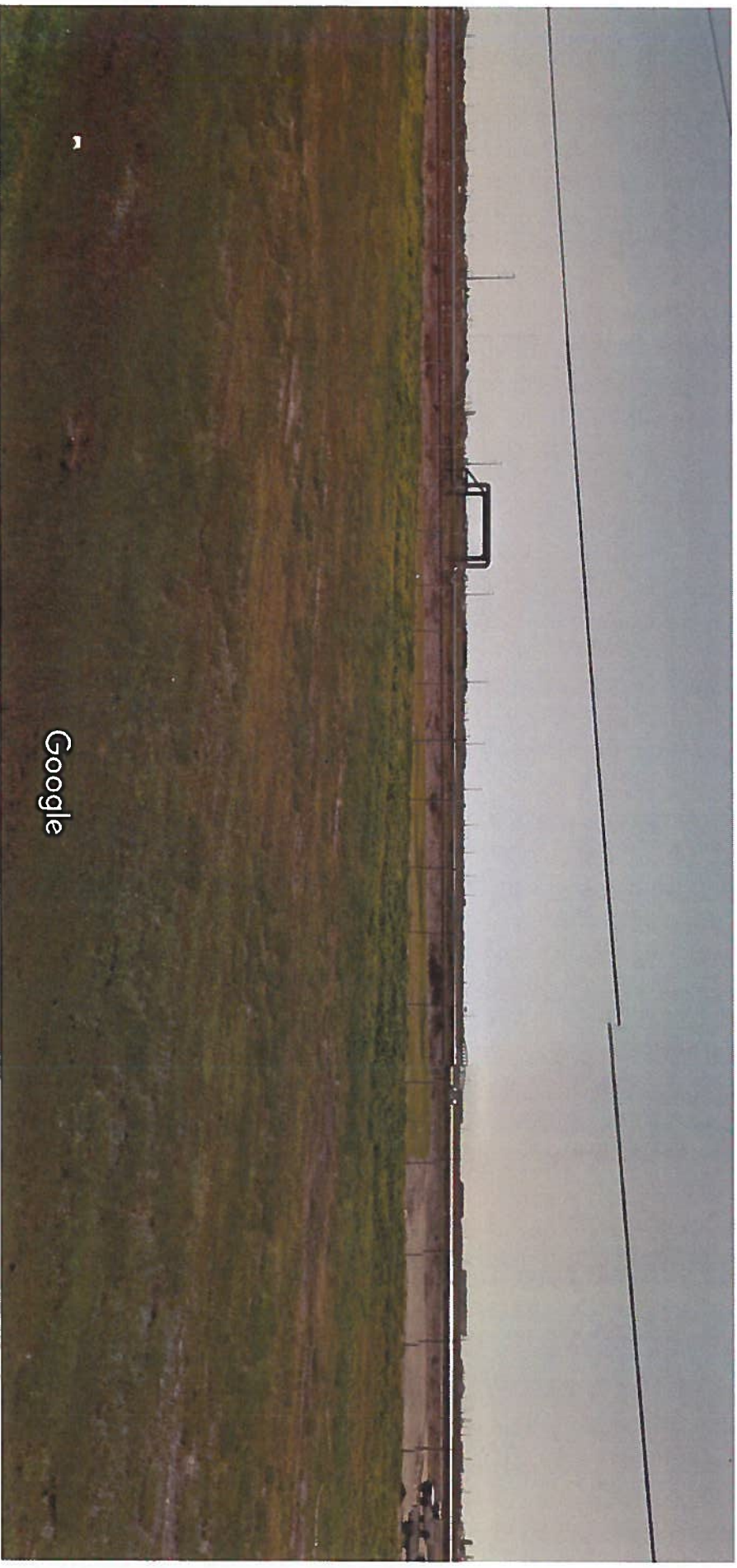


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Freeport, Texas

Street View - Mar 2013



3332 TX-332

Site is off in the distance - to right of truck down canal

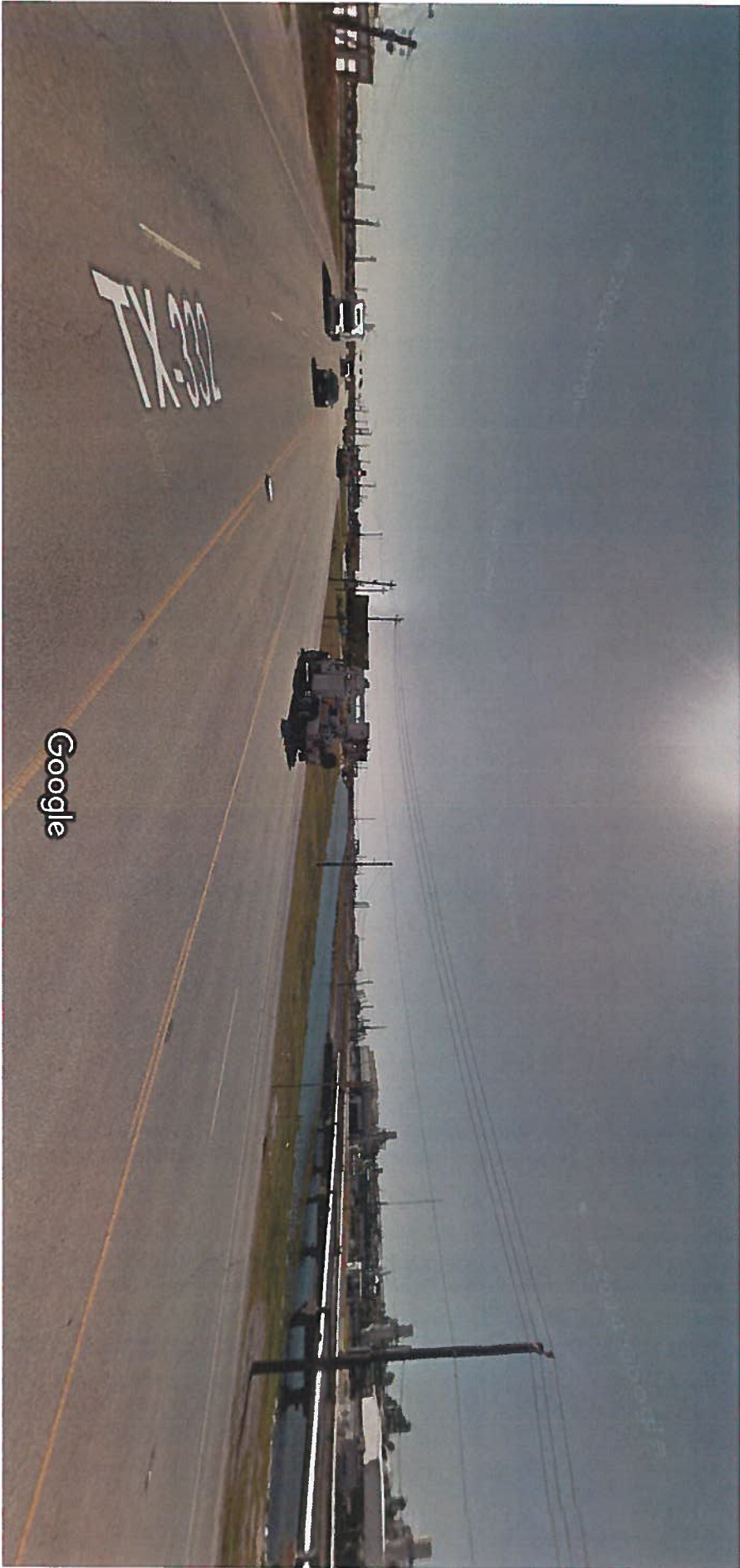


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